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ABSTRACT

Since the early 1970s, secondary vocational education (SVE) in Minnesota has been funded either by paying districts a flat percentage of eligible costs or by paying a percentage of eligible costs plus paying for certain excess costs. By the mid-1980s, a number of questions and concerns about SVE funding were emerging. Among the specific concerns raised were the following: financial support for SVE funding was declining; funding for equipment was inadequate; the existing formula did not necessarily recognize the excess costs resulting from vocational education; and the formula's focus was too narrow. In response to these concerns, a new SVE funding formula was implemented in fiscal year 1989. Under the new formula, which is still used, excess cost aid to districts is calculated for each SVE program as 75% of the cost of SVE salaries minus 50% of the general education revenue attributable to SVE pupils. The current aid formula has caused two concerns. First, a great deal of detailed information is required to calculate aid. Second, because the formula is designed to recognize the excess cost of small programs, it may encourage inefficiency by paying the most aid for the smallest programs and discouraging large programs. (MN)

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HOUSE RESEARCH

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Information Brief

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Funding for Secondary Vocational Education: 1979-1994

Since the early 1970s, secondary vocational education has been funded in basically two different ways: paying districts a flat percentage of eligible costs, and paying districts a percentage of eligible costs plus paying for certain excess costs. Table 1 on page three shows how funding for secondary vocational education has changed since 1979.

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Vocational Funding Prior to 1986

From fiscal year 1979 to fiscal year 1989, districts were paid a percentage of eligible costs for secondary vocational education. Eligible costs included teacher and administrator salaries and some travel for teachers and students. Prior to fiscal year 1983, districts were also paid for a percentage of their equipment and supplies costs. Between 1983 and 1989, districts were not paid for equipment and supplies costs, but districts could instead levy $5 per pupil for secondary vocational equipment costs.

By the mid-1980s, a number of questions and concerns about secondary vocational funding were emerging. The overarching question was whether districts really needed additional revenue to provide secondary vocational education and, if so, how to adequately and equitably provide that extra revenue.

Specific concerns included:

- **Financial support for secondary vocational funding was declining.** Between 1979 and 1989, the amount of state funding districts received for secondary vocational education expenses declined from 50% to 39% (see Table 1). The number of districts providing secondary vocational education also declined during that time.

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- **Funding for equipment was inadequate.** The $5 per pupil discretionary levy for equipment was inadequate for either starting a secondary vocational program or properly maintaining and upgrading equipment in existing programs.

- **The existing formula did not necessarily recognize the excess costs that resulted from vocational education.** Secondary vocational education cost more for some districts because of smaller classes, specialized equipment, and special facilities. A flat percentage reimbursement based primarily on salary did not always address these excess costs.

- **The formula's focus was too narrow.** The focus on paying districts a percentage of salary costs did not encourage other facets of quality vocational programs, including staff and curriculum development.

In 1986, in response to these concerns, a task force was convened to study the way that secondary vocational education was funded. This task force determined that some districts did have secondary vocational programs with higher costs, and that those districts should be reimbursed, at least in part, for those costs. As a result, a new secondary vocational funding formula was implemented in fiscal year 1989. Instead of paying districts for a flat percentage of current year costs for secondary vocational education, the new formula paid districts in two ways, first, based on the excess cost of providing secondary vocational education, and second, based on a percentage of the actual cost of certain components of vocational education. The primary excess cost that is recognized is the expense of small class sizes.

Current Vocational Aid Formula

Under the new formula, which is still in place, excess cost aid to districts is calculated as follows for each secondary vocational program:

Secondary vocational aid = 75% of:

the cost of secondary vocational salaries, minus
50% of general education revenue attributable to SV pupils

Under this formula, the lower the enrollment in a program, the more aid a district is eligible for. Districts are not excessively penalized for large classes with this formula. If the cost of teacher salaries is less than the amount of general education aid attributable to the secondary vocational pupils enrolled in a program, the district receives no aid, but does not receive a negative aid adjustment.

In fiscal year 1989, the new secondary vocational aid formula also gave districts a flat 30% reimbursement for the costs of supplies, teacher travel, curriculum development, and travel for staff development. The $5 per pupil levy for equipment was repealed and there was no additional funding for equipment included in the formula.

The formula was adjusted beginning in fiscal year 1992 when the 30% reimbursement for supplies, travel, curriculum development and travel for staff development was increased to 40%. It will be again adjusted in fiscal year 1994 when administrators' salaries will be eliminated from the salary costs that are eligible for aid.

Table 1
Funding for Secondary Vocational Education: 1979-1994

Fiscal Year	Type of Funding	Eligible services	Level of Reimbursement	Funding for Equipment
1979	percent of total current year cost	salaries travel equipment & supplies contracted services	50% of cost of eligible services 40% of contracted services	included in reimbursement
1982	same	same	45% of cost of eligible services 40% of contracted services	same
1983	same	salaries travel contracted services equipment costs not eligible for reimbursement	41.6% of cost of eligible services 37% of contracted services (reimbursement was actually less than 41.6% due to proration)	$5 per pupil discretionary levy
1984	same	same	45% of cost of eligible services 40% of contracted services	same
1986	same	same	41.5% of cost of eligible services 40% of contracted services (reimbursement was about 39% due to proration)	same
1988	same	same	39% of cost of eligible services 35% of contracted services	same
1989	combined excess cost and percentage of actual cost of each program	salaries travel curriculum development supplies	75% of the difference between the cost of salaries and 50% of the general education revenue attributable to secondary vocational pupils for the hours in the program. 30% of travel, for instruction and staff development, curriculum development, supplies, and contracted services	none
1992	same	same	same excess cost formula payment for travel, curriculum and staff development, supplies, and contracted services increased to 40%	same
1994	same	salaries for personnel not providing direct service to pupils are not eligible for reimbursement	same	same

This table is a broad overview of funding and does not include all the details or smaller changes that occurred from year to year.

Problems with the Current Secondary Vocational Aid Formula

The current aid formula, in effect now for five years, has also begun to cause some concern. Specific concerns include:

- **A great deal of detailed information is required to calculate aid.** Current law requires that the aid formula be applied at the program level. A secondary vocational program is smaller than an area, such as agriculture, and larger than a course. For example, in fiscal year 1994, the area of agriculture is divided into 147 programs. The area of home economics is divided into 238 programs. Examples of agriculture programs include Horticulture Occupations and Forestry Occupations. Home economics programs include Individual and Family Life and Parenting. To be eligible for aid, state rule requires districts to have an average of ten pupils in each section of a course in a secondary vocational program. This means districts must provide the Minnesota Department of Education [MDE] with secondary vocational enrollment by section, by course, by program, by term in order for MDE to calculate secondary vocational aid. This is onerous both for the district to provide and MDE to process.

- **The formula, designed to recognize the excess cost of small programs, may encourage inefficiency by paying the most aid for the smallest programs and discouraging large programs.** The structure that maximizes aid for districts is a mix of very small and very large programs. This may encourage districts to design their secondary vocational programs in response to the aid formula, not to meet the needs of secondary vocational students.

Table 2, on page six, shows three different ways that a school district could structure secondary vocational programs to serve 40 part-time secondary vocational pupils. The total amount of aid that the district will receive under current law varies significantly depending on how the secondary vocational programs are structured.

Table 2
Examples of How Secondary Vocational Class Structure Affects Secondary Vocational Aid Amounts

Each of the three examples in this table assumes that there are a total of 40 pupils, each taking one secondary vocational course. For a district with a six period day, this would involve 1/6, or 16.7%, of each pupil's time. The portion of general education revenue that is attributable to secondary vocational education equals 16.7% of $3,050 * 1.3, or $661 for each pupil.

	Example A	Example B	Example C
Program Structure	**Four programs with 10 pupils in each program**	**Two programs with 20 pupils in each program**	**Two programs: one with 10 pupils and one with 30 pupils**
Number of Teacher FTEs in the secondary vocational program (assume six class periods each day; each class requires 1/6 of a FTE to operate)	4/6 of a FTE total	2/6 of a FTE total	2/6 of a FTE total
Total Teacher Salary (assume a salary of $40,000 for one FTE)	Assuming a salary of $40,000 for one FTE, 4/6 of a FTE would require $26,667 total salary and $6,667 per program	Assuming a salary of $40,000 for one FTE, 2/6 of a FTE would require $13,332 total salary and $6,667 per program	Assuming a salary of $40,000 for one FTE, 2/6 of a FTE would require $13,333 total salary and $6,667 per program
Total Aid computed as follows: aid = 75% of: salary cost minus 50% of the general education revenue attributable to SV pupils	For each program: .75 * ($6,667 - (.5 * 10 * $661)) = .75 * ($6,667 - $3,305) = .75 * $3,362 = $2,522 total aid 4 * $2,522 = $10,086	For each program: .75 * ($6,667 - (.5 * 20 * $661)) = .75 * ($6,667 - $6,610) = .75 * $57 = $43 total aid 2 * $43 = $86	For the program with 10 pupils .75 * ($6,667 - (.5 * 10 * $661)) = .75 * ($6,667 - $3,306) = .75 * $3,361 = $2,521 For the program with 30 pupils .75 * ($6,667 - (.5 * 30 * $661)) = .75 * ($6,667 - $9,915) = .75 * 0 = 0 total aid $2,521 + $0 = $2,521
Total Cost to District	$26,667 - $10,086 = $16,581	$13,333 - $86 = $13,250	$13,332 - $2,521 = $10,811

This example does not include reimbursement for travel, supplies, and curriculum development. These expenses should be consistent across each of the three examples.

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